

Message Text

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ACTION STR-04

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01

CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-01 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02

FEAE-00 OMB-01 AF-08 ARA-06 EA-07 NEA-10 /130 W

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FM USDEL MTN GENEVA

TO SECSTATE WASHDC PRIORITY 2164

INFO USMISSION EC BRUSSELS

AMEMBASSY BONN

AMEMBASSY PARIS

AMEMBASSY LONDON

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ACTION STR

E.O. 11652: N/A

TAGS: ETRD, MTN, EC

SUBJ: NEW YEAR'S TOUR D'HORIZON WITH LUYTEN

1. SUMMARY: PERHAPS IT WAS THE REFLECTION OF AN INVIG-
ORATING SKI VACATION, BUT LUYTEN WAS REMARKABLY UP-BEAT ON
MTN PROSPECTS FOR 1977. WIDE-RANGING TALK WITH HIM AT
LUNCHEON WAS MORE CONSTRUCTIVE AND LESS CONTENTIOUS THAN
AT ANY TIME IN THE LAST YEAR. END SUMMARY.

2. MAKE-UP OF COMMISSION. LUYTEN CONFIRMED THAT
DAVIGNON WOULD HAVE RESPONSIBILITY FOR THE INDUSTRIAL MTN
NEGOTIATIONS BUT PINED THAT ONE COULD NOT RULE OUT HAER-
KAMP ALTOGETHER, THOUGH HE EXPECTED DAVIGNON AND
GUNDELACH TO BE THE DRIVING FORCES BEHIND EC-MTN POLICY.
HE NOTED THAT THE COMMISSION'S BUREAUCRATIC STRUCTURE
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(I.E., BELOW THE COMMISSION LEVEL) WAS UNLIKELY TO CHANGE,
LOUS THE DG 1 STAFF (HIJZEN, GALLAGHER, PAHN VAN PHI)
WOULD CONTINUE TO HAVE THE MAJOR RESPONSIBILITY FOR NON-
AGRICULTURAL MTN MATTERS.

3. TIMING. LUYTEN FEELS IT IS A MISTAKE TO FOCUS, AT THIS
STAGE, ON A PARTICULAR DATE FOR CONCLUDING THE NEGOTIA-

TIONS. RATHER, HE FEELS IT IS ESSENTIAL TO HAVE SENIOR LEVEL OFFICIALS FOCUS UPON SOME OF THE DIFFICULT SUBSTANTIVE ISSUES (E.G., TARIFF CUTTING, EXPORT SUBSIDIES, AGRICULTURAL POLICY AND THE LIKE). IF WORK CAN BE DONE IN THESE AREAS WHICH WILL NARROW THE DIFFERENCES AND POINT TOWARDS AGREEMENT, THE NEGOTIATIONS CAN THEREUPON BE CONCLUDED REASONABLY QUICKLY. LUYTEN REASONS, THEREFORE, THAT THE FIRST PRIORITY IS TO GET SENIOR OFFICIALS TO SERIOUSLY ADDRESS SUBSTANTIVE ISSUES.

4. US-EC CONTACTS. LUYTEN BELIEVES IT WOULD BE USEFUL TO HAVE HIGH-LEVEL DISCUSSIONS BETWEEN GUNDELACH, DAVIGNON AND HAERKAMP FROM THE EC SIDE AND APPROPRIATE AMERICAN COUNTERPARTS IN FEBRUARY OR MARCH ON SUBSTANTIVE MTN ISSUES. HE FEELS THIS WOULD BE A USEFUL PRELIMINARY TO THE PROJECTED ECONOMIC SUMMIT IN LATE SPRING OR EARLY SUMMER. HE ALSO FEELS THIS APPROACH IS PREFERABLE TO AN MTN MINISTERIAL TNC MEETING SINCE THE LATTER WOULD PROVIDE A FORUM FOR LDC COMPLAINTS AND RISKS BEING INTERTWINED WITH CIEC AND COMMON FUND DISCUSSIONS DURING THE FIRST HALF OF 1977.

5. SCOPE OF THE NEGOTIATIONS. LUYTEN DOES NOT LIKE THE NOTION OF THE "MINI-PACKAGE" WHICH THE BRITISH HAVE BEGUN TALKING ABOUT. FIRST, HE DOES NOT FEEL THE COMMUNITY SHOULD ABANDON ITS POSITION ON THE SCOPE OF THE NEGOTIATIONS AND, SECOND, HE FEELS THE PROPOSAL ADVANCED BY THE BRITISH IS AS FRAUGHT WITH DIFFICULTIES AS THE PROPOSAL FOR A MINI-PACKAGE WHICH THE U.S. BROACHED TWO YEARS AGO. LIMITED OFFICIAL USE

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LUYTEN FEELS THE ISSUES INVOLVED IN THE MTN ARE SUSCEPTIBLE OF AGREEMENT BY ALL NINE MEMBER STATE GOVERNMENTS IN THE NEAR TERM. SPECIFICALLY, HE FEELS THIS INCLUDES THE FRENCH GOVERNMENT, DESPITE THE ONSET OF PARLIAMENTARY ELECTIONS IN MARCH 1978. WITH THE EXCEPTION OF POLITICALLY SENSITIVE TARIFFS AND SOME AGRICULTURAL ISSUES, HE BELIEVES THE PACKAGE IS SUFFICIENTLY TECHNICAL THAT SERIOUS POLITICAL BLOODLETTERING CAN BE AVOIDED.

6. TARIFFS. LUYTEN BELIEVES THAT HERE WE MUST COME TO SOME POLITICALLY ACCEPTABLE COMPROMISE. "THE DEEPER THE CUT, THE MORE WE WILL INSIST UPON HARMONIZATION; BUT AS THE DEPTH OF THE CUT COMES DOWN, OUR INSISTENCE ON HARMONIZATION WILL ALSO COME DOWN," LUYTEN SAID.

7. AGRICULTURE. LUYTEN SAID HE HOPES THE NEW ADMINISTRATION WILL TAKE A LESS DOCTRINAIRE VIEW THAN THAT ASSOCIATED WITH FORMER SECRETARY BUTZ. HE NOTED THAT LOW PRICES FOR SUGAR WOULD PROBABLY MEAN REVISED U.S. SUGAR

POLICIES AND NOTED THE SOFTNESS IN GRAINS PRICES AS A LIKELY INDUCEMENT TO MODIFICATION OF U.S. POLICY IN THIS AREA. LUYTEN EVEN CONCEDED THAT COMMISSION AGRICULTURAL SPECIALISTS WERE CONSIDERING WAYS OF LIMITING AGRICULTURAL EXPORT SUBSIDIES (E.G., AN EXPORT SUBSIDY COULD NOT EXCEED AN IMPORT LEVY). HE INDICATED THAT, WHILE HE HAD CRITICIZED AMBASSADOR GREY'S SUBSIDY PAPER (COVERING HIS BUREAUCRATIC REAR), PRIVATELY HE WAS PREPARED TO CONCEDE IT REPRESENTED A CONSTRUCTIVE STARTING POINT FOR SERIOUS DISCUSSION.

8. STAFF. LUYTEN IS CONVINCED THAT IT WOULD BE FRUITLESS TO SEEK ADDITIONAL STAFF FOR HIS DELEGATION AT THIS TIME. HOWEVER, HE WAS APPRECIATIVE OF U.S. EFFORTS TO APPRISE JENKINS OF EC DELEGATION'S "THINNESS" AND HE IS CONFIDENT THAT ONCE EVENTS HEAT UP HERE IN GENEVA, ADEQUATE STAFF WILL BE MADE AVAILABLE ON A TDY BASIS.

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9. RATIONALE FOR EC DISTEMPER. LUYTEN COMMENTED IN AN UNCHARACTERISTICALLY CALM AND PHILOSOPHIC VEIN ON THE FRUSTRATION FELT BY MANY EUROPEANS ABOUT EC COMMERCIAL POLICY, NOTING, IN PASSING, THE FAREWELL REMARKS OF LARDINOIS AND SIMONET AS FAIRLY TYPICAL. THE PROBLEM, HE SAID, IS THAT SO MANY EUROPEANS ARE PREPARED "TO PAY IN COMMERCIAL TERMS" FOR THE POLITICAL AND MILITARY SECURITY WHICH THE U.S. PROVIDES TO WESTERN EUROPE. HE RANKED HIMSELF AMONG THOSE EUROPEANS WHO ARE CRITICAL OF EUROPE'S INABILITY TO TAKE DEFENSIVE COMMERCIAL STEPS, NOTING THE ABILITY OF THE U.S., JAPAN AND CANADA, AMONG OTHERS, TO TAKE PROTECTIVE ACTION, WHEN IT WAS FELT WARRANTED FOR DOMESTIC PURPOSES. EUROPE IS ENFEEBLED BY COMPARISON AND BARRED FROM TAKING SIMILAR STEPS BY VIRTUE OF ITS INSTITUTIONAL STRUCTURE. HE EMPHASIZED, IN THIS CONNECTION, THE GROWING TRADE DEFICIT OF THE EC WITH THE U.S. AND PARTICULARLY THE DEFICIT IN AGRICULTURAL TRADE, AS EVIDENCE OF EUROPEAN INABILITY TO DEAL ON AN EQUAL BASIS WITH THE U.S.

10. COMMENT: ALL OF THIS WAS DELIVERED WITH UNACCUSTOMED EQUANIMITY. I CONFINED MY INTERVENTIONS MAINLY TO QUESTIONS AIMED AT DRAWING LUYTEN OUT. NOT TOO MUCH SHOULD BE READ INTO THIS SERIES OF REMARKS. AS WE HAVE SEEN, LUYTEN IS MERCURIAL AND HIS MOODS DO NOT NECESSARILY REFLECT ATTITUDES IN MEMBER STATE CAPITALS. NONETHELESS, IT IS NOTEWORTHY THAT LUYTEN IS SO MUCH MORE UP-BEAT THAN AT ANY TIME SINCE LAST YEAR ABOUT THIS TIME. PART OF IT, NO DOUBT, HAS TO DO WITH DISENCUMBERING THE AGRICULTURAL NEGOTIATIONS WITH THE PROCEDURAL SCENARIO AGREED TO BEFORE

CHRISTMAS. PART OF IT ALSO NO DOUBT REFLECTS THE CHANGE
IN ADMINISTRATIONS, BOTH IN BRUSSELS AND IN WASHINGTON,
AND THE ANTICIPATION WHICH SUCH EVENTS AROUSE. AND SOME
OF IT CERTAINLY IS THE RESULT OF TWO WEEKS OF EXCELLENT
SKIING CONDITIONS. NEVERTHELESS, A LUYTEN ENTHUSIASTIC
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ABOUT THE MTN IS CERTAINLY PREFERABLE TO THE LOUTISH
ATTITUDE HE MANIFESTED DURING THE FALL AND IT PERHAPS
PRESAGES A BETTER FEW MONTHS FOR THE MTN. END COMMENT.
WALKER

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